

R 020850Z MAR 09
FM AMCONSUL SHANGHAI
TO SECSTATE WASHDC 7690
INFO AMEMBASSY BEIJING
AMCONSUL CHENGDU
AMCONSUL GUANGZHOU
AMCONSUL HONG KONG
NSC WASHINGTON DC
AMEMBASSY SEOUL
AMCONSUL SHENYANG
AIT TAIPEI 1574
AMEMBASSY TOKYO
AMCONSUL SHANGHAI

C O N F I D E N T I A L SHANGHAI 000103

STATE FOR EAP/CM, INR AND DRL
NSC FOR LOI, KUCHTA-HELBLING

E.O. 12958: DECL: 3/2/2034
TAGS: [PGOV](#) [ECON](#) [ELAB](#) [PHUM](#) [CH](#)
SUBJECT: RURAL ANHUI: CALM ON THE SURFACE BUT SEA MONSTERS LURKING
BELOW

REF: A. (A) BEIJING 400
[1](#)B. (B) SHANGHAI 51

CLASSIFIED BY: SIMON SCHUCHAT, DEPUTY PRINCIPAL OFFICER, U.S.
CONSULATE SHANGHAI, U.S. DEPARTMENT OF STATE.
REASON: 1.4 (b), (d)

Summary

[1](#)1. (C) Rural Anhui Province has not yet faced new social instability problems as a result of China's economic downturn, but the province's ongoing dependence on migrant worker remittances for disposable income in the countryside leaves Anhui, particularly its northern region, vulnerable to social unrest if the economic downturn deepens. A major source of migrant labor, Anhui does not have a comprehensive plan for reintegrating workers who lose their jobs in coastal factories, our interlocutors in Hefei and Fuyang said, and Central Government efforts to promote rural consumption in poor areas may backfire. Farmers outside Fuyang said they still rely heavily on remittances from their sons and daughters to maintain their livelihoods. Local governments in Anhui are increasingly wary of outbreaks of instability, as evidenced by a front page local newspaper article on February 25. End Summary.

Travel to Anhui Province

[1](#)2. (C) DPO and PolOff traveled to Anhui Province February 24-27. In Hefei, the provincial capital, DPO and PolOff met with provincial government officials and a rural expert at Anhui University. On February 26, they traveled to Fuyang in the northern part of the province to visit a rural area and meet with local officials.

Anhui Province's Migrants Looking for Work

C) Rural Anhui Province remains stable even as many of the province's migrant workers are struggling to find new jobs in China's coastal areas following the Lunar New Year holiday (see reftels). Anhui is a major sending area for migrant workers, said Lin Fei, a researcher at the Anhui Academy of Social Sciences (AASS), who estimated that approximately 11 million migrants (roughly one-sixth of Anhui's total population) are working outside the province with most workers employed in the Yangtze River Delta (YRD). Migrant workers are "used to living in the city," Lin said, and many have faced difficulties readjusting to life in the countryside since being laid off by cost-cutting employers prior to the Lunar New Year.

[1](#)4. (C) Lu Liansheng, head of the rural development division at

AASS, acknowledged that many of Anhui's migrants returned home early for the holiday in November and December. He did not estimate how many of Anhui's migrants lost their jobs in late 2008, but he said he is "not optimistic" that all of Anhui's migrants will be able to find jobs outside the province in the near-term. Many migrants returned to the coast before the end of the holiday to try to "beat the rush," Lu observed. Even then, it will still be "very difficult" for migrants who are looking for work. Lu said local governments are encouraging migrants to return home to the countryside and set up small businesses because they have some money saved and "understand the market" in coastal areas, but there inevitably will be "successes and failures" for migrants turned entrepreneurs.

Rough Waters Ahead in Anhui?

15. (C) Addressing social stability concerns will be a major challenge for Anhui, our interlocutors said. Zhang Deyuan, the Deputy Director of the San Nong Institute at Anhui University, said on February 25 that social stability in Anhui's rural areas "looks calm on the surface, but there are sea monsters lurking below." The Central Government's efforts to address rural development such as the State Council's 2009 Number One Policy Document -- which tackled rural issues for the sixth year in a row -- are insufficient, Zhang said. In Anhui, the question of what returning migrants should do if they cannot find work in coastal areas is a serious problem, he said.

16. (C) Zhang dismissed local policies to promote small business development, stating that rural small and medium sized enterprises (SMEs) are too inefficient. He also refuted claims made by Anhui officials that the province's own industrial development could absorb excess labor, stating that several major factories in the province that recently closed. There are stopgap measures for deploying excess labor (including one program to send 40,000 Anhui rural residents to Xinjiang Autonomous Region to work on an agricultural project), as well as short-term training opportunities, but there is no comprehensive plan for helping migrants find work, Zhang said.

17. (C) Farmers have enough money saved to last for a few months, Zhang said, and Anhui likely will avoid social problems linked to migrant worker dissatisfaction in the near-term. Central Government plans to promote rural consumption, however, are misplaced, Zhang said, for if migrants do not have jobs, and therefore do not have disposable income, then it will be difficult for them to buy consumer goods. Rural residents may have enough money saved to buy a refrigerator, or a TV, or even a car, but this consumption will not promote social stability, Zhang said. Migrant workers who can find factory jobs in coastal areas most certainly will leave, Zhang said, as they do not want to remain in the countryside. Local governments are now focusing their attention on stability and security instead of GDP growth, Zhang observed, adding that "the problem is that when things go bad in China, it happens quickly."

Fuyang: Possible Problems on the Horizon

18. (C) The biggest potential social stability problem in Anhui Province is in Fuyang, Zhang said, echoing the sentiments of several observers. Fuyang's high population density, limited land, remote location (two and a half hours northwest of Hefei), and dependence on migrant remittances for its economy leave the area susceptible to social unrest. At first glance, however, the city appears to be growing at a reasonable pace with a new development zone and new university campus. Several nearby villages also are beneficiaries of a rural development project implemented by the U.S.-based NGO, Heifer International, to help farmers purchase livestock and sell the offspring for profit.

19. (C) Despite economic gains from the project, however, farmers in Omiao Village in Fuyang's Yingzhou District, told DPO and PolOff that they remain dependent on non-farm income. All of the farmers interviewed in the village said their children work in coastal areas (mostly in Shanghai), and their remittances home contribute well over half of the families' incomes. One

villager pointed proudly to the government-installed running water tap in his newly constructed house -- though it was remittances that paid for the house itself. The rural landscape was dotted with China Mobile cell towers, but the roads were unpaved and thick with mud. The farmers acknowledged that the Fuyang City Government has tried to facilitate investment in the city in order to provide more industrial and service sector jobs locally, but all of the farmers said their children would be unwilling to return to Fuyang to work. One farmer told PolOff that his son was laid off from his job in a Shanghai packaging plant just before the Lunar New Year, but his employer had recently called in late February to summon him back to Shanghai to continue working.

Local Governments Move to "Safeguard Stability"

¶10. (C) The Hefei Evening News (Hefei Wanbao) reported on February 25 that municipal leaders had met the previous day to discuss social stability under the framework of the Central Government's document on "Safeguarding Social Stability Work in 2009." According to the report, local leaders emphasized during the meeting that internal and external economic problems would likely lead to new pressures and challenges for social stability in the coming year, and local governments must pay close attention to social problems. In Fuyang, Wang Bin, Director of the Municipal Development and Reform Commission, said on February 27 that Fuyang remains stable, but local government meetings that focus on safeguarding stability indicate that Anhui is going through "extraordinary times." Wang expressed confidence that Anhui will remain stable so long as no one "stirs up trouble."

CAMP